

Montana Home Choice Coalition

Quality Housing for Seniors, Adults, Children, and Families with Disabilities

A Coalition of Montana Citizens, Advocates, Providers, Federal, State, Tribal, and Local Agencies, the Housing Finance community, Realtors, and the Home-Building industry working together to create better community housing choices for all people with disabilities.

Home CHOICE
MONTANA HOME CHOICE COALITION



Inc.

A.W.A.R.E. Inc. serves as the lead coordinating agency of the Montana Home Choice Coalition.

Testimony in Support of HB 516: Fund affordable housing revolving loan act
House Appropriations Committee Hearing February 15, 2007

Michael M. O'Neil, State Director, Montana Home Choice Coalition

On behalf of the Montana Home Choice Coalition, I strongly recommend Appropriation Committee support for HB 516.

Passing HB 516 is critical to Montana's future if you care about Montana's sense of community, our state's economy, and if we are to meet our basic responsibilities for the common good to make certain that all citizens have a decent, safe, and affordable roof over their heads. Although rising home and land costs has been a real financial benefit to many of us and to our state's economy, the exploding housing prices has also created a real threat to the ability for many Montana citizens to meet their basic housing needs, or for families to join the ranks of homeowners. For this reason, fully funding the affordable housing fund with a \$5 million annual general appropriation is a prudent step to offset the negative consequences of our rising housing and land costs.

The Housing Montana fund will create a flexible fund to add an additional resource and financing tool to the affordable housing tool box to extend our limited federal resources in our state. Its impact will be focused on addressing pressing housing needs including rentals, homeownership, home rehab, supportive housing for people with disabilities and our seniors, essential workers housing, and the exploding need for accessible housing.

Finding affordable housing in Montana communities across the state is a severe and growing problem. We work on affordable housing issues all over our state, and we see significant affordable housing needs in all regions of the state.

Persons with disabilities and our senior citizens living on fixed incomes are increasingly unable to find safe, affordable housing in their home communities. With the exploding senior population over the next ten years with related increase in persons with disabilities, our current severe shortage of affordable housing will become a real crisis for those Montanans in greatest need. The time is now to address this issue before we face a real crisis throughout our state.

The lack of affordable, accessible housing contributes to persons with disabilities and our seniors to be unnecessarily "housed" in nursing homes and institutions at great cost and lack of personal freedoms. Our high numbers at our State Hospital at Warm Springs, and in other state institutions and nursing homes is partially the result of the lack of appropriate affordable housing in our communities. The lack of affordable housing has resulted in homelessness for too many Montana individuals and families- a majority of Montana's homeless are persons with disabilities. Persons with disabilities and our seniors will be able to maintain a greater quality of life in the community at lower overall costs to service systems through increased availability of affordable accessible housing in cities and towns across our state. Keep in mind that affordable housing is a critical piece of health care in our state.

The State of Montana does not currently provide any funding for affordable housing for Montanans with low incomes. The State of Montana does subsidize the housing costs of higher income Montanans through tax expenditure support of the Home mortgage interest deduction-an estimated \$124 million dollars over the current biennium-the majority of which goes to our families in our highest income brackets. Given this high level of funding support for our highest income residents housing, providing state funding to begin to address our lowest income citizens' severe housing needs only seems fair, and a proper state housing policy priority. Please see my attachment #1 detailing Montana's current tax expenditures levels supporting the housing needs of higher income Montanans.

The level of federal housing assistance has continued to severely drop over the past thirty years to the point where multi-year waiting lists for housing assistance and subsidized housing have become the norm across the state. Please see my attachment #2 detailing a 30 year 50% reduction in federal housing program funding. The federally funded housing programs in the state of Montana have experienced this same drastic decline in funding. Federal housing funding levels in Montana have fallen drastically behind housing costs and housing needs.

Keep in mind that affordable housing is a pivotal piece of economic development in our state. If workers have no affordable place to live economic expansion becomes limited.

Thank you for your support for HB 516. Please feel free to call on me if you have any additional questions or concerns regarding the need for HB 516 and the Housing Montana Fund.

Michael M. O'Neil
State Director, Montana Home Choice Coalition
Program Officer, AWARE Inc.
(406) 459-0281

Attachment #1

State of Montana Tax Expenditures Associated with Home Mortgage Interest Itemized Deduction

Full Year Residents, Tax Year 2005

Source: Biennial Report: July 1, 2002-June 30, 2004

Montana Department of Revenue

Decile Group	Number of Households	Tax Expenditure	Percent
1	24	\$476.00	0.00%
2	540	\$15,677.00	0.03%
3	1,914	\$110,538.00	0.20%
4	3,954	\$413,690.00	0.76%
5	7,091	\$1,282,081.00	2.35%
6	11,300	\$3,046,370.00	5.59%
7	16,652	\$5,734,435.00	10.52%
8	22,834	\$9,581,122.00	17.57%
9	27,946	\$13,790,740.00	25.29%
10	29,396	\$20,549,096.00	37.69%
Total	121,651	\$54,524,225.00	100.00%

Decile Group	Income Bracket
1	\$0 - \$4,481
2	\$4,482 - \$8,734
3	\$8,735 - \$13,416
4	\$13,417 - \$18,455
5	\$18,456 - \$24,624
6	\$24,625 - \$32,715
7	\$32,716 - \$43,299
8	\$43,300 - \$57,212
9	\$57,213 - \$78,454
10	\$78,455 +

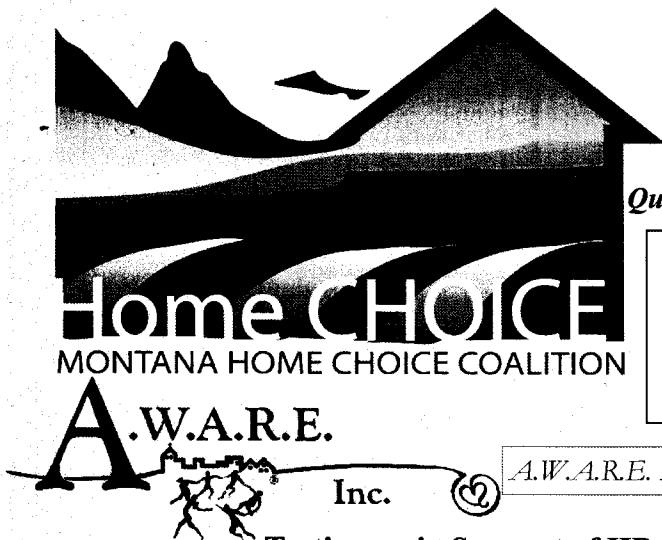
Estimated Individual Income Tax Expenditures

Itemized Deduction	FY2006	FY2007	Biennium
Home Mortgage Interest	\$60,030,000	\$64,470,000	\$124,500,000

The Tax Expenditure Concept

Tax expenditures are defined as provisions of the tax code that provide for special exclusions, exemptions, deductions, credits, deferrals, or preferential tax rates that result in foregone revenue. The purpose of tax expenditures is to provide financial assistance to certain groups of taxpayers, or to provide an economic incentive that encourages specific taxpayer behavior. One example of a tax expenditure designed to provide financial assistance is the additional personal exemption allowed the blind and/or elderly. On the other hand, the deduction allowed homeowners for mortgage interest may be viewed as an inducement to encourage home ownership. In both cases, the same objectives could be met through direct government spending programs that subsidize certain individuals on the basis of specific characteristics or behavior.

TABLE 1. HUD AND HOUSING ASSISTANCE BUDGET SUBFUNCTION LEVELS COMPARED TO HOUSING-RELATED TAX EXPENDITURES					
MILLIONS OF CONSTANT 2004 DOLLARS					
YEAR	HUD BUDGET AUTHORITY	HUD OUTLAYS	HOUSING ASSISTANCE BUDGET AUTHORITY	HOUSING ASSISTANCE OUTLAYS	HOUSING RELATED TAX EXPENDITURES
1976	\$86,798	\$20,885	\$57,729	\$7,428	\$33,159
1977	\$93,012	\$15,974	\$78,741	\$8,163	\$28,343
1978	\$97,996	\$19,731	\$83,310	\$9,484	\$37,825
1979	\$74,024	\$21,916	\$58,901	\$10,380	\$46,113
1980	\$77,136	\$27,400	\$60,096	\$12,117	\$55,888
1981	\$66,570	\$28,947	\$52,382	\$15,080	\$63,778
1982	\$37,975	\$27,662	\$26,529	\$15,869	\$64,815
1983	\$28,693	\$27,399	\$18,189	\$17,322	\$60,822
1984	\$29,956	\$27,505	\$20,915	\$18,603	\$62,560
1985	\$50,100	\$45,827	\$42,889	\$40,311	\$64,767
1986	\$24,808	\$22,022	\$18,134	\$19,287	\$75,461
1987	\$22,202	\$23,455	\$14,942	\$19,171	\$81,555
1988	\$21,980	\$27,845	\$14,259	\$20,446	\$81,345
1989	\$20,343	\$27,904	\$13,566	\$20,864	\$98,565
1990	\$23,769	\$27,684	\$15,286	\$21,814	\$102,688
1991	\$36,348	\$29,925	\$25,940	\$22,591	\$104,675
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Source: Compiled by National Low Income Housing Coalition. Budget authority and outlay data from Office of Management and Budget, Budget of the United States Government, Fiscal Year 2005, Historical Data, Table 3.2—Outlays by Function and Subfunction: 1982-2009 and Table 5.1—Budget Authority by Function and Subfunction: 1976-2009. Tax expenditure data calculated from Budget of the United States Government, Special Analysis G, 1993 and prior budgets, Fiscal Years 1991 and 1992, Table C-1; Fiscal Year 1993, Table 24-1; 1992 figures from Budget Baselines, and Alternatives for the Future, January 1993, Appendix One, Table 2.1. 1993-2009 figures from Budget of the United States Government, Analytical Perspectives, Fiscal Years 1995-2002, Table 6-1; Fiscal Years 2003-2009, Table 18-1.					



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